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SPECIAL REPORT

THE EMPLOYMENT SITUATION IN THE USSR

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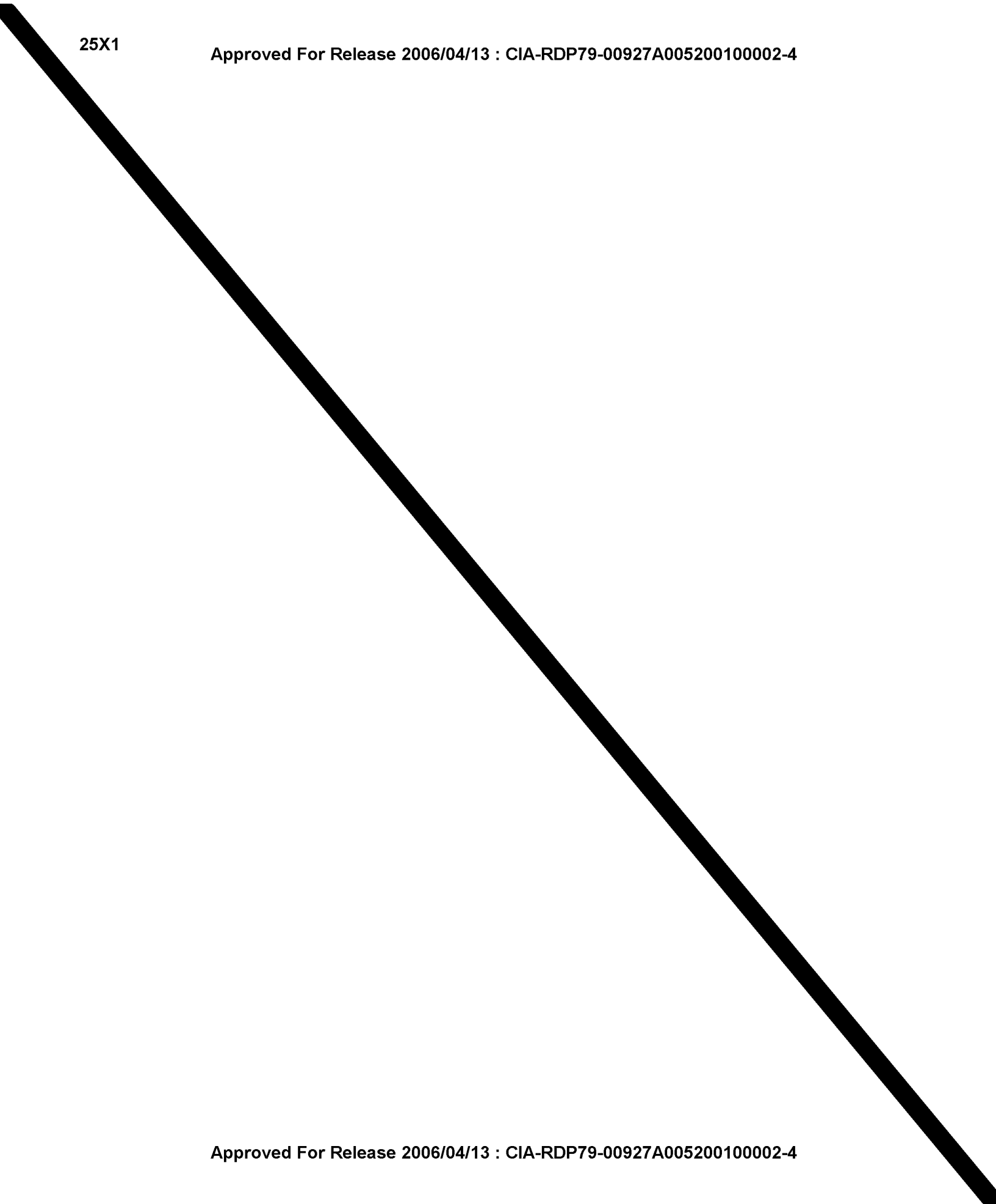

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THE EMPLOYMENT SITUATION IN THE USSR

There are occasional references to unemployed workers in the Soviet press, but the USSR is not suffering from widespread unemployment. Pockets of unemployment exist, however, attributable in part to the failure of present labor market institutions to match worker and job efficiently and quickly. In addition, changes in "success indicators" by which their performance is judged have made managers less eager to hire and retain surplus labor. Finally, rapid changes in technology and in patterns of demand have occurred and are still in process, affecting particular areas of employment. The problem areas most often mentioned in the Soviet press and of special concern to the authorities are excessive labor turnover, unemployment among youths, and unemployment in small cities. On balance, the USSR has achieved a relatively high level of employment among the adult population.

Soviet concern about unemployment derives not from any crisis in the labor market but rather from official dogma, which calls for full employment and equates it with the use of every able-bodied person in the "social economy." An awareness also appears to be spreading that the labor market of an industrialized economy needs flexibility to operate efficiently. The employment problems confronting Soviet leaders have no immediately acceptable solutions, and will therefore remain as more or less chronic features of the Soviet economic scene.

Concepts

The official Soviet position is that unemployment was abolished "forever" in 1930. Recently, however, there has been an increasing realization in the USSR that pockets of unemployment tend to develop in any highly industrialized society. The causes include automation and other forces of technological change, failure of plans to mesh completely, and the institutional difficulties of absorbing new entrants in the labor market. The Soviet press has only recently started to comment on these questions and has treated them in terms of the employment problems among certain groups in the economy.

In contrast to Soviet practice, US statistics on national employment embrace three categories: persons with jobs are classified "employed"; persons

without jobs and looking for work are considered "unemployed"; and persons neither working nor looking for work are classified "not in the labor force." Thus the US practice is to leave the voluntarily unemployed out of the unemployment tally.

In the USSR, however, where unemployment is ideologically impossible, the authorities classify adults only as having or not having jobs. The Soviet concept of full employment embraces the use of all able-bodied persons of working age in the "social economy." The Soviet concept also reflects the policy of confining the economic activity of workers to prescribed sectors of the economy. So-called "nonparticipants in the social economy" include housewives and others not actively seeking employment, and the five million able-bodied persons working only on private plots of land, as well as the relatively few persons without jobs who are actively seeking employment.

Persons who work only on private plots pose a special problem for Soviet leaders. From an economic standpoint, they are in fact employed and are adding substantially to the national product by producing needed food. From an ideological standpoint, however, they are not participating in the "social economy," and represent the last vestiges of capitalism. As a practical matter, economic realities have taken priority over ideological purity, and these very productive "unemployed" have been permitted to continue their private economic activity.

Employment Policy And the Labor Market

The USSR Constitution specifies the basic tenets of the official employment policy: "Citizens of the USSR have the right to work..., and work in the USSR is a duty...for every able-bodied citizen." Moreover, Soviet authorities have shown themselves willing to tolerate substantial degrees of surplus or insufficiently utilized labor throughout the economy. Questions of hiring and firing thus do not arise for the almost one third of the Soviet labor force working on collective farms. These farmers cannot be dismissed for lack of full-time work, nor for any other reason.

Another constituent of the policy of full employment is the state's monopoly of all matters relating to labor, including wages, hours, working conditions, allocation of jobs, and trade unions. In the Soviet economy, central planning decisions take the place of the processes of the free market to a considerable extent. Even so, however, sufficient freedom remains for independent activity by individual enterprises and the play of market forces. Central planners determine the number of jobs by the number of persons available for work, and centrally establish wage schedules and bonus regulations, but in practice, the individual enterprise has considerable

leeway to manipulate work norms and wage rates for individual jobs. In the past, managers often found ways to get around limitations on the size of their work force.

The USSR has used a variety of devices in pursuit of full employment, such as establishing differential wage rates, centrally allocating labor, giving women and youths the same employment opportunities as men, and using coercive measures in the form of antiparasite laws and propaganda campaigns to induce individuals to take jobs.

These measures have been effective. Since 1950, about 70 percent of the adult population have been employed. Employment among the adult population in the US averaged about 55 percent during the same period. The primary explanation of this difference between the US and the USSR is the extremely high participation by women in the Soviet labor force--about two thirds of adult women in the USSR, compared with about one third in the US.

Despite the over-all success of the USSR in creating more jobs than are economically justifiable by Western standards, substantial unemployment has persisted among certain groups and sectors of the urban economy, especially since the mid-1950s. By that time the growth of the urban population reaching working age nearly matched the increase in industrial jobs. This development meant that the policy of migration control--limiting the flow to the cities of workers from the countryside--was no longer effective as a means of ensuring full employment among urban industrial workers. Alterations in labor laws since 1953 have eliminated other controls available to the regime by removing most of the formal restraints on voluntary changing of jobs and limiting the use of compulsion in job placements.

Other features of the Soviet system also tend to create unemployment. Since 1959, a system of bonuses has been in use which links bonuses to reduction of costs, and thus has encouraged managers to economize on labor chiefly by firing redundant workers. The press reports that of the more than one million workers dismissed from industrial enterprises in 1964, 30-35 percent were fired illegally. The principal Soviet trade union journal recently complained that "Annually the state suffers huge losses, amounting to millions of rubles, in reinstating to work people who have been illegally dismissed." Managers have also risked being charged with illegal practices by refusing to hire unwanted workers sent to them by local party officials in order to curtail labor costs.

Labor Turnover

In addition to these problems, the Soviet authorities are also seriously concerned over the rising rate of labor turnover, which is causing production losses, increasing training expenses, and generating a

variety of noneconomic problems. In 1960, when the level of turnover was at its lowest, 32 workers per 100 changed jobs with the loss of time between jobs averaging about 25 days. At that time 170 million man-days of production were lost. In 1964, an estimated 200 million man-days of lost output were due to labor turnover.

The regime has been unwilling to adopt suggested corrective measures to eliminate unplanned turnover. The improvement of working and living conditions would require diversion of substantial resources and the adoption of legislation to restrict mobility might produce serious political and social consequences.

During the past decade the Soviet regime has increasingly relied more on incentives and less on compulsion throughout the economy. Recent articles by Soviet economists, moreover, indicate a growing realization that the costs of labor turnover are offset to some degree by the resulting gains, both economic and social, due to flexibility in the labor market.

Unemployment Among Youths

For the first time in the postwar period, unemployment among youths became serious during the summer of 1957. In that year, 1.3 million persons graduated from full-time secondary schools. This was an outgrowth of Soviet educational policies since 1950. These emphasized universal secondary education and resulted in an increased number of graduates which averaged 500,000 between 1950 and 1955, and skyrocketed to 1.2 million in 1956. At the same time, the number of admissions to full-time study at higher educational institutions, which had averaged about 250,000 each year between 1950 and 1955, declined to 220,000 in 1957. The reduction in the size of the armed forces after 1955, moreover, as well as the return of amnestied prisoners from forced labor camps, swelled the ranks of civilian jobseekers even more. The predicament of youths seeking work was further aggravated by the fact that upon graduation the majority of them were unsuited for immediate employment. Their curriculum had been oriented toward further professional education and they had no skills or vocational training. In addition, labor legislation since 1955 gave youths shorter hours, equal pay, and longer leaves, and tended to curb the interest of managers in accepting workers under 18.

Since 1960, press articles have expressed increasing concern about teenage unemployment, probably because of the rising pressure for jobs as the postwar baby boom reaches working age. The number of youths 15 to 18 years old doubled between 1960 and 1965. Beginning in 1966, moreover, the number of teenagers available for employment will rise sharply as a result of a 1964 decree cutting the length of secondary education by one year. In 1966 two classes instead of one will

graduate from secondary schools, and this summer jobs will have to be found for 1.6 million graduates instead of the normal 600,000.

Unemployment among youths is often voluntary because after graduation they have no intention of doing manual work, and they are not prepared to do skilled work. The government has used both the carrot and the stick method. Youths are granted special work privileges such as shorter workdays and generous leave allowances for those studying part time. In addition, admission requirements to higher educational institutions have been changed to give preference to applicants with at least two years of military or work experience. On the other hand, the USSR passed the "antiparasite" laws in 1958-61 to prod reluctant youths into the labor force. Under these laws--which subjected nonworking adults to compulsory labor and exile--youths who dropped out of school and failed to go to work were coerced into "socially useful labor" in industry and other state enterprises.

In another move to restrict involuntary unemployment among youths, Juvenile Placement Commissions were established in 1957 to work out a nationwide job quota system. These commissions were also set up to compel state enterprises to provide vocational training for young workers, but a measure of their ineffectiveness is the persistence and growth of the very problem they were supposed to correct.

Jobs reserved for teenagers in industry, construction, and state agriculture offer employment to only one fourth to one half the number of persons available for work in the 15 to 18 age group. The lack of penalties for violations of orders given by the placement commissions has been a major weakness. Managers in numerous cases have refused to hire youths sent to them under the quota system, and have even fired youths when alternative labor was available. In addition, the expansion of industrial training has not yet materialized. Since 1958, the number of youths in industrial apprenticeship programs has declined in absolute numbers and as a share of total industrial employment.

Unemployment in Small Cities

The rate of participation of the able-bodied population in the "social economy" in the 800 smaller Soviet cities with a population of less than 50,000 is approximately 35-45 percent of that in larger cities and is declining. Soviet economists suggest that the lack of jobs in these cities is a primary cause for the lower labor participation rates.

The unfavorable employment situation in small cities is analogous to the Appalachia problem in the US. In both

areas the decline of local industry and the process of technological change and automation has not been matched by a corresponding outward movement of labor to other areas. In the USSR, furthermore, small cities tend to be "one industry" towns --often heavy industry--making it difficult for women and youths to find jobs.

A problem particularly acute in small cities is underemployment of women. In an effort to encourage women to take jobs, the regime in 1958 began a program to expand child care facilities for the preschool-age children of working mothers. Twice the number of child care centers would be required, however, if all women of working age were to be employed in the "social economy."

Other proposals for easing unemployment in small cities have centered on developing labor-intensive consumer goods industries in these towns and a rapid expansion of the service sector. Soviet authorities, however, undoubtedly realize that in many cases the cost of employing idle adults and youths in the "social economy" will far outweigh the potential economic returns. These costs include both child care centers and other facilities as well as agricultural output on private plots that would have to be sacrificed if these unemployed persons were put to work on the state economy.

Prospects

Problems of unemployment may soon be made even more urgent as a result of the new economic incentives for enterprise managers under the Kosygin program. Although not all incentives have been clearly spelled out, they may provide even greater encouragement to managers to economize on labor than the bonus system. The major Soviet theoretical journal Kommunist has recently admitted that "The application of new methods of planning and economic incentives for industrial enterprises will undoubtedly result in the release of some workers." [redacted] 25X1

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